

Message Text

LIMITED OFFICIAL USE

PAGE 01 SANTIA 02246 141745Z

51

ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 IO-10 INT-05 AGR-05 DOTE-00

HUD-01 HEW-02 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 DODE-00 PM-03 H-02 L-02 NSC-05

PA-01 PRS-01 SS-15 USIA-06 SR-02 ORM-01 /108 W

----- 002905

P R 141635Z APR 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 2888

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY BRASILIA

AMEMBASSY MONTEVIDEO

AMEMBASSY ASUNCION

LIMITED OFFICIAL USE SANTIAGO 2246

EO 11652: NA

TAGS: PINT, CI

SUBJ: GOC STREAMLINES ITS ECONOMIC TEAM

1. SUMMARY: RESPONDING DRAMATICALLY TO ITS DETERIORATING ECONOMIC SITUATION, GOC LATE APRIL 11 ANNOUNCED THAT, AS FIRST STEP IN CABINET REORGANIZATION, FINANCE MINISTER JORGE CAUAS WOULD BECOME AN ECONOMIC "SUPER MINISTER" AND MINISTER OF ECONOMIC COORDINATION RAUL SAEZ WOULD BE GIVEN PLENIPOTENTIARY NEGOTIATING POWERS WITH RESPECT TO INTERNATIONAL ECONOMIC AND FINANCIAL AFFAIRS. NEW ECONOMIC PROGRAM DUE IN TEN DAYS. END SUMMARY.

2. DECREE DATED APRIL 10, DETAILING FOREGOING CHANGES, STATES THEY ARE OUTGROWTH OF A NUMBER OF ECONOMIC DEVELOPMENTS,
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SANTIA 02246 141745Z

MENTIONING IMPACT OF THE INTERNATIONAL ECONOMIC CRISIS,

EFFECT OF DRASTIC FALL IN COPPER PRICES ON CHILEAN BALANCE OF PAYMENTS AND GOVERNMENT INCOME, AND NEED TO INTENSIFY REDUCTION OF PUBLIC SECTOR EXPENDITURE AND TO MAKE OPTIMUM USE OF GOVERNMENT FUNDS, AND THE GENERAL NEED FOR GREATER CENTRALIZATION AND COORDINATION IN THE TASK OF ECONOMIC RECONSTRUCTION.

3. TO DEAL WITH FOREGOING REQUIREMENTS, CAUAS WAS GIVEN POWER TO ADMINISTER GOVERNMENT ECONOMIC ACTIVITY AT ALL LEVELS AND TO PROPOSE THE NECESSARY REGULATIONS AND INSTRUCTIONS, TO SUPERVISE IMPLEMENTATION, AND TO PENALIZE THOSE RESPONSIBLE FOR OBSTRUCTION AND INEFFICIENCY. THE FOLLOWING MINISTRIES (WHICH ARE HEAVY SPENDERS OF PUBLIC FUNDS) WERE SPECIFICALLY PUT UNDER CAUAS' CONTROL: FINANCE, ECONOMICS, AGRICULTURE, MINING, PUBLIC WORKS, TRANSPORT, HOUSING AND URBANISM, PUBLIC HEALTH, AND LABOR AND SOCIAL SECURITY. CAUAS' AUTHORITY IS ALSO EXTENDED TO THE GOVERNMENT'S PLANNING OFFICE (ODEPLAN) AND ITS DEVELOPMENT CORPORATION (CORFO). EXPECT FOR INDIVIDUALS OF MINISTERIAL RANK, CAUAS IS GIVEN AUTHORITY TO HIRE AND FIRE ALL OFFICIALS IN ALL THE FOREGOING AGENCIES.

4. SAEZ'S NEW FUNCTIONS ARE ALSO DESCRIBED, THOUGH MORE BRIEFLY, IN THE APRIL 10 DECREE LAW. LIKE CAUAS, SAEZ IS GIVEN AUTHORITY TO ISSUE DIRECTIVES TO THE AGENCIES UNDER THE FORMER'S CONTROL AS WELL AS PLENIPOTENTIARY POWERS IN INTERNATIONAL ECONOMIC RELATIONS. DECREE ALSO INDICATES SAEZ WILL GIVE HIGH-LEVEL ADVICE TO PRESIDENT PINOCHET IN ECONOMIC AND SOCIAL FIELDS.

5. CAUAS IS FURTHER DIRECTED TO PRESENT TO THE JUNTA, WITHIN TEN DAYS, AN ECONOMIC RECOVERY PROGRAM. PRESIDENT HAS SET STAGE FOR FAIRLY DRASTIC RESTRICTION ON GOVERNMENT DEFICIT SPENDING BY REFERRING IN RECENT SPEECHES TO COUNTRY'S ECONOMIC CRISIS IN TERMS OF AN EMERGENCY.

6. COMMENT: ALL THESE MOVES ARE OUTGROWTH OF GOC REALIZATION THAT COUNTRY'S ECONOMIC SITUATION HAS BEEN DETERIORATING SHARPLY IN RECENT WEEKS, AND THAT CONTINUATION OF PRESENT TRENDS IS BOUND TO PRODUCE VERY SERIOUS ECONOMIC AND POLITICAL EFFECTS UNLESS SOME NEW LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SANTI 02246 141745Z

ELEMENTS CAN BE INJECTED INTO PICTURE. NUB OF PROBLEM IS SEEN AS NEED SUBSTANTIALLY TO REDUCE MASSIVE GOVERNMENT DEFICIT SPENDING AND CONSEQUENT HEADLONG INFLATION. WE BELIEVE ANY MIX OF MEASURE WHICH DOES SO WILL ENTAIL MORE AUSTERITY AND UNEMPLOYMENT. JUNTA IS THUS FACING REAL POLITICAL DIFFICULTIES, WHATEVER PATH IT FOLLOWS. CAUAS-SAEZ ECONOMIC TEAM HAS APPARENTLY CONVINCED JUNTA THAT IN LONG RUN RIGOROUS AUSTERITY WILL INVOLVE THE LEAST

HARDSHIP AND THUS THE LOWEST POLITICAL COST. BUT CAUAS
WILL BE UNDER CONSTANT PRESSURE TO RELAX HARSH MEASURES HE
INTENDS TO DECREE. IF HE FAILS TO HOLD THE LINE AND TO
RETAIN PINOCHET'S CONFIDENCE, THE ENTIRE "SOCIAL MARKET
ECONOMY" CONCEPT IS LIKELY TO DISSAPPEAR.
POPPER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CABINET, REORGANIZATIONS, PERSONNEL ASSIGNMENTS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SANTIA02246
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750129-0905
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750452/aaaabwrk.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 02 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 SEP 2003 by BoyleJA>; APPROVED <03 SEP 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOC STREAMLINES ITS ECONOMIC TEAM
TAGS: PINT, PGOV, CI, (CAUAS, JORGE), (SAEZ, RAUL)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006